

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT
OF
TOWN OF NORTH JUDSON
STARKE COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
03/21/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Connie L. Miller	01-01-04 to 12-31-07
President of the Town Council	Guy A. Gardin	01-01-05 to 12-31-07
Superintendent of Utilities	Daniel Anderson	01-01-05 to 12-31-07



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NORTH JUDSON, STARKE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of North Judson (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above present fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress, Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 7, 2007

TOWN OF NORTH JUDSON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 164,741	\$ 515,070	\$ 489,753	\$ 190,058
Motor Vehicle Highway	101,864	82,067	70,602	113,329
Local Road and Street	46,259	10,576	9,873	46,962
Park and Recreation	23,415	20,058	21,327	22,146
Law Enforcement Continuing Education	24	2,508	-	2,532
Railroad CCI/Maintenance	831	25,530	25,000	1,361
Criminal Justice Grant	288	-	288	-
CDBG Grant	25,829	33	25,862	-
Special Police	2	-	2	-
EDIT No. I	221,899	95,029	90,261	226,667
EDIT No. II	36,165	261	36,426	-
Cumulative Capital Improvement	24,898	5,333	12,603	17,628
Cumulative Capital Development	42,320	42,002	38,250	46,072
Cumulative Building and Firefighting Equipment	139	-	139	-
Cumulative Sewer	5,668	51	5,668	51
Proprietary Funds:				
Water Utility - Operating	(50,422)	228,394	207,497	(29,525)
Water Utility - Bond and Interest	34,384	24,550	24,450	34,484
Water Utility - Debt Reserve	16,902	2,519	16,383	3,038
Water Utility - Depreciation	70,451	17,723	-	88,174
Water Utility - Customer Deposit	38,725	44,229	44,207	38,747
Wastewater Utility - Operating	166,765	474,458	499,929	141,294
Wastewater Utility - Bond and Interest	101,718	162,877	165,772	98,823
Wastewater Utility - Debt Reserve	127,194	17,348	13,154	131,388
Wastewater Utility - Customer Deposit	4,115	11,725	8,350	7,490
Utility Clearing	29	632,348	631,758	619
Fiduciary Fund:				
Payroll	884	436,111	424,973	12,022
Totals	<u>\$ 1,205,087</u>	<u>\$ 2,850,800</u>	<u>\$ 2,862,527</u>	<u>\$ 1,193,360</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 190,058	\$ 574,766	\$ 480,135	\$ 284,689
Motor Vehicle Highway	113,329	106,225	79,920	139,634
Local Road and Street	46,962	9,997	10,000	46,959
Park and Recreation	22,146	35,661	31,585	26,222
Law Enforcement Continuing Education	2,532	1,065	2,596	1,001
Police Public Donation	-	950	650	300
Railroad CCI/Maintenance	1,361	592	1,311	642
EDIT No. I	226,667	66,538	100,026	193,179
Cumulative Capital Improvement	17,628	5,984	13,000	10,612
Cumulative Capital Development	46,072	10,647	4,062	52,657
Cumulative Sewer	51	-	51	-
Levy Excess	-	9,083	-	9,083
Proprietary Funds:				
Water Utility - Operating	(29,525)	232,506	223,471	(20,490)
Water Utility - Bond and Interest	34,484	24,300	9,056	49,728
Water Utility - Debt Reserve	3,038	2,400	2,582	2,856
Water Utility - Depreciation	88,174	17,245	15,056	90,363
Water Utility - Customer Deposit	38,747	5,376	4,335	39,788
Wastewater Utility - Operating	141,294	483,106	453,871	170,529
Wastewater Utility - Bond and Interest	98,823	162,000	160,367	100,456
Wastewater Utility - Debt Reserve	131,388	15,600	34,181	112,807
Wastewater Utility - Customer Deposit	7,490	5,241	2,291	10,440
Utility Clearing	619	671,984	672,543	60
Fiduciary Fund:				
Payroll	12,022	410,560	414,390	8,192
Totals	<u>\$ 1,193,360</u>	<u>\$ 2,851,826</u>	<u>\$ 2,715,479</u>	<u>\$ 1,329,707</u>

The accompanying notes are an integral part of the schedules.

TOWN OF NORTH JUDSON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF NORTH JUDSON
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF NORTH JUDSON
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 91,571	\$ 109,475	\$ (17,904)	84%	\$ 253,160	(7%)
07-01-04	104,037	106,640	(2,603)	98%	219,175	(1%)
07-01-05	120,192	154,010	(33,818)	78%	297,164	(11%)

TOWN OF NORTH JUDSON
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 546,013
Infrastructure	659,061
Buildings	95,124
Improvements other than buildings	1,621,366
Machinery and equipment	<u>967,188</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 3,888,752</u>
 <u>Primary Government</u>	 <u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 120
Buildings	474,000
Improvements other than buildings	2,890,809
Machinery and equipment	<u>124,678</u>
Total water utility capital assets	<u>3,489,607</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	36,359
Buildings	2,220,000
Improvements other than buildings	1,731,590
Machinery and equipment	<u>124,678</u>
Total wastewater utility capital assets	<u>4,112,627</u>
Total business-type activities capital assets	<u>\$ 7,602,234</u>

TOWN OF NORTH JUDSON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Expansion and updating of water lines	\$ 316,000	\$ 6,000
Wastewater Utility		
Revenue bonds:		
New wastewater treatment facility	<u>2,150,000</u>	<u>38,000</u>
Total business-type activities long-term debt:	<u>\$ 2,466,000</u>	<u>\$ 44,000</u>

TOWN OF NORTH JUDSON
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSITS

In numerous instances, customer deposit receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidate city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds.

CUSTOMER DEPOSIT REGISTERS

The detailed customer deposit registers for the Water Utility and Wastewater Utility do not reconcile with the customer deposit amounts recorded on the respective general ledgers.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledger, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCES

The Water Operating Fund was overdrawn in 2005 and 2006.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF NORTH JUDSON
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2007, with Connie L. Miller, Clerk-Treasurer; and Guy A. Gardin, President of the Town Council. The officials concurred with our findings.